

# *State of South Carolina*



## *Office of the State Auditor*

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COLUMBIA, S.C. 29201

RICHARD H. GILBERT, JR., CPA  
DEPUTY STATE AUDITOR

(803) 253-4160  
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June 23, 2008

Mr. Chris Stenger, Vice President of Planning and Reimbursement  
Sava Senior Care Administrative Services, LLC  
5300 West Sam Houston Parkway North, Suite 200  
Houston, Texas 77041

Re: AC# 3-MAS-C6 – Seneca Health and Rehabilitation Center

Dear Mr. Stenger:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 2005 through March 31, 2006. That report was used to set the rate covering the contract periods beginning October 1, 2005.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976, as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.

Yours very truly,

A handwritten signature in black ink, appearing to read "Richard H. Gilbert, Jr.", written in a cursive style.

Richard H. Gilbert, Jr., CPA  
Deputy State Auditor

RHGjr/cwc

cc: Ms. Brenda L. Hyleman  
Mr. Jeff Saxon  
Ms. Kathleen C. Snider

**SENECA HEALTH AND REHABILITATION CENTER**

**SENECA, SOUTH CAROLINA**

**CONTRACT PERIODS  
BEGINNING OCTOBER 1, 2005  
AC# 3-MAS-C6**

**AGREED-UPON PROCEDURES REPORT**

**ON CONTRACT**

**FOR**

**PURCHASE OF NURSING CARE SERVICES**

**WITH**

**STATE OF SOUTH CAROLINA**

**DEPARTMENT OF HEALTH AND HUMAN SERVICES**

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### INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

April 15, 2008

Department of Health and Human Services  
State of South Carolina  
Columbia, South Carolina

We have performed the procedures enumerated below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Seneca Health and Rehabilitation Center, for the contract periods beginning October 1, 2005, and for the six month cost report period ended March 31, 2006, as set forth in the accompanying schedules. The management of Seneca Health and Rehabilitation Center is responsible for the Financial and Statistical Report for Nursing Homes and supporting accounting and statistical records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the South Carolina Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

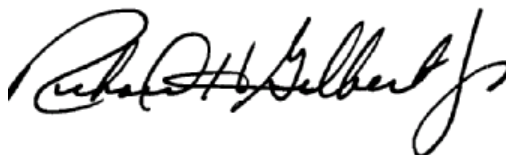
The procedures and the associated findings are as follows:

1. We selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Seneca Health and Rehabilitation Center, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the Provider. Our findings as a result of these procedures are presented in the Summaries of Costs and Total Patient Days, Adjustment Report, and Cost of Capital Reimbursement Analyses sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contracts between the South Carolina Department of Health and Human Services and Seneca Health and Rehabilitation Center dated as of October 1, 2001 and October 1, 2006, as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computations of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services  
State of South Carolina  
April 15, 2008

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the financial statements or a part thereof. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.

A handwritten signature in black ink, appearing to read "Richard H. Gilbert, Jr.", with a stylized flourish at the end.

Richard H. Gilbert, Jr., CPA  
Deputy State Auditor

**SENECA HEALTH AND REHABILITATION CENTER**

Computation of Rate Change  
For the Contract Periods  
Beginning October 1, 2005  
AC# 3-MAS-C6

	<u>10/01/05- 03/31/06</u>	<u>04/01/06- 09/30/06</u>	<u>10/01/06- 09/30/07</u>
Interim Reimbursement Rate (1)	\$128.81	\$134.43	\$134.98
Adjusted Reimbursement Rate	<u>122.91</u>	<u>128.27</u>	<u>128.82</u>
Decrease in Reimbursement Rate	\$ <u>5.90</u>	\$ <u>6.16</u>	\$ <u>6.16</u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated February 13, 2008.

**SENECA HEALTH AND REHABILITATION CENTER**  
Computation of Adjusted Reimbursement Rate  
For the Contract Period October 1, 2005 Through March 31, 2006  
AC# 3-MAS-C6

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 66.03	\$ 69.87	
Dietary		12.33	12.63	
Laundry/Housekeeping/Maintenance		<u>9.40</u>	<u>10.97</u>	
Subtotal	<u>\$5.71</u>	87.76	93.47	\$ 87.76
Administration & Medical Records	<u>\$ -</u>	<u>22.91</u>	<u>16.13</u>	<u>16.13</u>
Subtotal		110.67	<u>\$109.60</u>	103.89
<u>Costs Not Subject to Standards:</u>				
Utilities		4.11		4.11
Special Services		.03		.03
Medical Supplies & Oxygen		4.25		4.25
Taxes and Insurance		1.74		1.74
Legal Fees		<u>-</u>		<u>-</u>
<b>TOTAL</b>		<u>\$120.80</u>		114.02
Inflation Factor (N/A)				-
Cost of Capital				7.14
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				-
Cost Incentive				5.71
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(3.96)</u>
<b>ADJUSTED REIMBURSEMENT RATE</b>				<u>\$122.91</u>

**SENECA HEALTH AND REHABILITATION CENTER**  
Computation of Adjusted Reimbursement Rate  
For the Contract Period April 1, 2006 Through September 30, 2006  
AC# 3-MAS-C6

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 66.03	\$ 69.87	
Dietary		12.33	12.63	
Laundry/Housekeeping/Maintenance		<u>9.40</u>	<u>10.97</u>	
Subtotal	<u>\$5.71</u>	87.76	93.47	\$ 87.76
Administration & Medical Records	<u>\$ -</u>	<u>22.91</u>	<u>16.13</u>	<u>16.13</u>
Subtotal		110.67	<u>\$109.60</u>	103.89
<u>Costs Not Subject to Standards:</u>				
Utilities		4.11		4.11
Special Services		.03		.03
Medical Supplies & Oxygen		4.25		4.25
Taxes and Insurance		1.74		1.74
Legal Fees		<u>-</u>		<u>-</u>
<b>TOTAL</b>		<u>\$120.80</u>		114.02
Inflation Factor (4.70%)				5.36
Cost of Capital				7.14
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				-
Cost Incentive				5.71
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(3.96)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$128.27</u>



**SENECA HEALTH AND REHABILITATION CENTER**  
Computation of Adjusted Reimbursement Rate  
For the Contract Period October 1, 2006 Through September 30, 2007  
AC# 3-MAS-C6

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 66.03	\$ 79.77	
Dietary		12.33	13.46	
Laundry/Housekeeping/Maintenance		<u>9.40</u>	<u>12.03</u>	
Subtotal	<u>\$7.37</u>	87.76	105.26	\$ 87.76
Administration & Medical Records	<u>\$ -</u>	<u>22.91</u>	<u>16.87</u>	<u>16.87</u>
Subtotal		110.67	<u>\$122.13</u>	104.63
<u>Costs Not Subject to Standards:</u>				
Utilities		4.11		4.11
Special Services		.03		.03
Medical Supplies & Oxygen		4.25		4.25
Taxes and Insurance		1.74		1.74
Legal Fees		<u>-</u>		<u>-</u>
<b>TOTAL</b>		<u>\$120.80</u>		114.76
Inflation Factor (4.60%)				5.28
Cost of Capital				7.03
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				-
Cost Incentive				7.37
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(5.62)</u>
<b>ADJUSTED REIMBURSEMENT RATE</b>				<u>\$128.82</u>

**SENECA HEALTH AND REHABILITATION CENTER**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended March 31, 2006  
For the Contract Periods October 1, 2005 Through September 30, 2006  
AC# 3-MAS-C6

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$1,589,237	\$ 246 (14)	\$13,894 (3) 17,337 (9) 3,858 (10) 1,200 (10) 4,017 (11) 19,074 (12) 985 (12)	\$1,529,118
Dietary	295,166	-	5,215 (4) 2,519 (10) 1,951 (12) 50 (14)	285,431
Laundry	40,515	-	-	40,515
Housekeeping	76,391	324 (15)	325 (16)	76,390
Maintenance	110,920	7,278 (14) 463 (15)	17,031 (4) 519 (12) 420 (16)	100,691
Administration & Medical Records	542,266	7,577 (10) 4,017 (11) 2,232 (12) 1,507 (15)	3,977 (1) 228 (12) 1,484 (13) 19,764 (14) 1,519 (16)	530,627
Utilities	95,487	81 (15)	397 (16)	95,171
Special Services	728	3,073 (13)	3,078 (12)	723
Medical Supplies & Oxygen	134,865	-	10,344 (7) 2,030 (8) 167 (12) 23,817 (13)	98,507

**SENECA HEALTH AND REHABILITATION CENTER**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended March 31, 2006  
For the Contract Periods October 1, 2005 Through September 30, 2006  
AC# 3-MAS-C6

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Taxes and Insurance	54,576	9,521 (1) 224 (15)	3,166 (5) 20,758 (6) 16 (14) 166 (16)	40,215
Legal Fees	-	-	-	-
Cost of Capital	170,892	723 (4) 295 (15) <u>483 (17)</u>	1,596 (2) 5,140 (14) <u>285 (16)</u>	165,372
Subtotal	3,111,043	38,044	186,327	2,962,760
Ancillary	142,307	2,030 (8)	-	144,337
Nonallowable	287,457	49,652 (1) 1,596 (2) 20,758 (6) 17,337 (9) 23,770 (12) 22,228 (13) 17,446 (14) 3,112 (16)	3,212 (15) 483 (17)	439,661
CNA Training and Testing	<u>1,373</u>	<u>13,894 (3)</u>	<u>-</u>	<u>15,267</u>
Total Operating Expenses	<u>\$3,542,180</u>	<u>\$209,867</u>	<u>\$190,022</u>	<u>\$3,562,025</u>
Total Patient Days	<u>23,158</u>	<u>-</u>	<u>-</u>	<u>23,158</u>
Total Beds	<u>132</u>			

**SENECA HEALTH AND REHABILITATION CENTER**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended March 31, 2006  
For the Contract Period October 1, 2006 Through September 30, 2007  
AC# 3-MAS-C6

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	<u>Debit</u>	Adjustments <u>Credit</u>	Adjusted <u>Totals</u>
General Services	\$1,589,237	\$ 246 (14)	\$13,894 (3) 17,337 (9) 3,858 (10) 1,200 (10) 4,017 (11) 19,074 (12) 985 (12)	\$1,529,118
Dietary	295,166	-	5,215 (4) 2,519 (10) 1,951 (12) 50 (14)	285,431
Laundry	40,515	-	-	40,515
Housekeeping	76,391	324 (15)	325 (16)	76,390
Maintenance	110,920	7,278 (14) 463 (15)	17,031 (4) 519 (12) 420 (16)	100,691
Administration & Medical Records	542,266	7,577 (10) 4,017 (11) 2,232 (12) 1,507 (15)	3,977 (1) 228 (12) 1,484 (13) 19,764 (14) 1,519 (16)	530,627
Utilities	95,487	81 (15)	397 (16)	95,171
Special Services	728	3,073 (13)	3,078 (12)	723
Medical Supplies & Oxygen	134,865	-	10,344 (7) 2,030 (8) 167 (12) 23,817 (13)	98,507

**SENECA HEALTH AND REHABILITATION CENTER**

Summary of Costs and Total Patient Days

For the Cost Report Period Ended March 31, 2006

For the Contract Period October 1, 2006 Through September 30, 2007

AC# 3-MAS-C6

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Taxes and Insurance	54,576	9,521 (1) 224 (15)	3,166 (5) 20,758 (6) 16 (14) 166 (16)	40,215
Legal Fees	-	-	-	-
Cost of Capital	168,260	723 (4) 295 (15) <u>460 (18)</u>	1,596 (2) 5,140 (14) <u>285 (16)</u>	162,717
Subtotal	3,108,411	38,021	186,327	2,960,105
Ancillary	142,307	2,030 (8)	-	144,337
Nonallowable	290,089	49,652 (1) 1,596 (2) 20,758 (6) 17,337 (9) 23,770 (12) 22,228 (13) 17,446 (14) 3,112 (16)	3,212 (15) 460 (18)	442,316
CNA Training and Testing	<u>1,373</u>	<u>13,894 (3)</u>	<u>-</u>	<u>15,267</u>
Total Operating Expenses	<u>\$3,542,180</u>	<u>\$209,844</u>	<u>\$189,999</u>	<u>\$3,562,025</u>
Total Patient Days	<u>23,158</u>	<u>-</u>	<u>-</u>	<u>23,158</u>
Total Beds	<u>132</u>			

**SENECA HEALTH AND REHABILITATION CENTER**  
Adjustment Report  
Cost Report Period Ended March 31, 2006  
AC# 3-MAS-C6

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Taxes and Insurance	\$ 9,521	
	Nonallowable	49,652	
	Retained Earnings		\$49,346
	Lab Revenue		5,850
	Administration		3,977
	To adjust trial balance account balances to amounts per general ledger HIM-15-1, Section 2304		
2	Other Equity	16,246	
	Nonallowable	1,596	
	Fixed Assets		9,071
	Accumulated Depreciation		7,175
	Cost of Capital		1,596
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
3	CNA Training and Testing	13,894	
	Nursing		13,894
	To reclassify expense to the proper cost center State Plan, Attachment 4.19D		
4	Fixed Assets	19,996	
	Retained Earnings	3,086	
	Cost of Capital	723	
	Accumulated Depreciation		1,559
	Dietary		5,215
	Maintenance		17,031
	To capitalize assets and record related depreciation and properly charge expense applicable to the prior period HIM-15-1, Sections 2302.1 and 2304 State Plan, Attachment 4.19D		

**SENECA HEALTH AND REHABILITATION CENTER**  
Adjustment Report  
Cost Report Period Ended March 31, 2006  
AC# 3-MAS-C6

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
5	Retained Earnings	10,132	
	Other Equity	11,648	
	Accrued Property Taxes		18,614
	Taxes and Insurance		3,166
	To adjust property tax expense and related accrual HIM-15-1, Sections 2302.1 and 2304		
6	Nonallowable	20,758	
	Taxes and Insurance		20,758
	To adjust liability insurance expense HIM-15-1, Section 2304		
7	Retained Earnings	10,344	
	Medical Supplies		10,344
	To properly charge expense applicable to the prior period HIM-15-1, Section 2302.1		
8	Ancillary	2,030	
	Medical Supplies		2,030
	To reclassify expense to the proper cost center DH&HS Expense Crosswalk		
9	Nonallowable	17,337	
	Restorative		17,337
	To reclassify expense to the proper cost center State Plan, Attachment 4.19D DH&HS Expense Crosswalk		

**SENECA HEALTH AND REHABILITATION CENTER**  
Adjustment Report  
Cost Report Period Ended March 31, 2006  
AC# 3-MAS-C6

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
10	Administration	7,577	
	Nursing		3,858
	Restorative		1,200
	Dietary		2,519
	To reclassify expense to the proper cost center DH&HS Expense Crosswalk		
11	Administration	4,017	
	Nursing		4,017
	To reclassify expense to the proper cost center DH&HS Expense Crosswalk		
12	Administration	2,232	
	Nonallowable	23,770	
	Nursing		19,074
	Restorative		985
	Dietary		1,951
	Maintenance		519
	Medical Records		228
	Medical Supplies		167
	Special Services		3,078
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
13	Special Services	3,073	
	Nonallowable	22,228	
	Administration		1,484
	Medical Supplies		23,817
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		



**SENECA HEALTH AND REHABILITATION CENTER**  
Adjustment Report  
Cost Report Period Ended March 31, 2006  
AC# 3-MAS-C6

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
14	Nursing	246	
	Maintenance	7,278	
	Nonallowable	17,446	
	Dietary		50
	Administration		19,764
	Taxes and Insurance		16
	Cost of Capital		5,140
	To adjust home office cost allocation		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		
15	Other Income	318	
	Housekeeping	324	
	Maintenance	463	
	Administration	1,507	
	Utilities	81	
	Taxes and Insurance	224	
	Cost of Capital	295	
	Nonallowable		3,212
	To offset income against related		
	expense and reverse DH&HS adjustment		
	to remove indirect cost applicable		
	to a non-reimbursable cost center		
	HIM-15-1, Section 2102.3		
	State Plan, Attachment 4.19D		
16	Nonallowable	3,112	
	Housekeeping		325
	Maintenance		420
	Administration		1,519
	Utilities		397
	Taxes and Insurance		166
	Cost of Capital		285
	To remove indirect cost applicable		
	to a non-reimbursable cost center		
	HIM-15-1, Section 2102.3		
	State Plan, Attachment 4.19D		

**SENECA HEALTH AND REHABILITATION CENTER**  
Adjustment Report  
Cost Report Period Ended March 31, 2006  
AC# 3-MAS-C6

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
17	Cost of Capital Nonallowable	483	483
	To adjust capital return State Plan, Attachment 4.19D (This adjustment applies only to the rate periods 10/01/05 - 9/30/06)		
18	Cost of Capital Nonallowable	460	460
	To adjust capital return State Plan, Attachment 4.19D (This adjustment applies only to the rate period 10/01/06 - 9/30/07)		
		<hr/>	<hr/>
	TOTAL ADJUSTMENTS	<u>\$282,097</u>	<u>\$282,097</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

**SENECA HEALTH AND REHABILITATION CENTER**  
 Cost of Capital Reimbursement Analysis  
 For the Cost Report Period Ended March 31, 2006  
 For the Contract Periods October 1, 2005 Through September 30, 2006  
 AC# 3-MAS-C6

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.71494</u>
Deemed Asset Value (Per Bed)	42,402
Number of Beds	<u>132</u>
Deemed Asset Value	5,597,064
Improvements Since 1981	1,402,602
Accumulated Depreciation at 3/31/06	(2,463,723)
Deemed Depreciated Value	4,535,943
Market Rate of Return	<u>.0516</u>
Total Annual Return	234,055
Number of Days in Period	<u>182/365</u>
Adjusted Annual Return	116,707
Return Applicable to Non-Reimbursable Cost Centers	(478)
Allocation of Interest to Non-Reimbursable Cost Centers	<u>83</u>
Allowable Annual Return	116,312
Depreciation Expense	54,167
Amortization Expense	20
Capital Related Income Offsets	(4,842)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(285)</u>
Allowable Cost of Capital Expense	165,372
Total Patient Days (Actual)	<u>23,158</u>
Cost of Capital Per Diem	\$ <u>7.14</u>

**SENECA HEALTH AND REHABILITATION CENTER**

Cost of Capital Reimbursement Analysis

For the Cost Report Period Ended March 31, 2006

For the Contract Periods October 1, 2005 Through September 30, 2006

AC# 3-MAS-C6

6/30/89 Cost of Capital and Return on Equity	
Capital Per Diem Reimbursement	\$ 7.04
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	<u><u>\$11.03</u></u>
Reimbursable Cost of Capital Per Diem	\$ 7.14
Cost of Capital Per Diem	<u>7.14</u>
Cost of Capital Per Diem Limitation	<u><u>\$ -</u></u>

**SENECA HEALTH AND REHABILITATION CENTER**  
 Cost of Capital Reimbursement Analysis  
 For the Cost Report Period Ended March 31, 2006  
 For the Contract Period October 1, 2006 Through September 30, 2007  
 AC# 3-MAS-C6

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.77878</u>
Deemed Asset Value (Per Bed)	43,399
Number of Beds	<u>132</u>
Deemed Asset Value	5,728,668
Improvements Since 1981	1,402,602
Accumulated Depreciation at 3/31/06	<u>(2,463,723)</u>
Deemed Depreciated Value	4,667,547
Market Rate of Return	<u>.0490</u>
Total Annual Return	228,710
Number of Days in Period	<u>182/365</u>
Adjusted Annual Return	114,042
Return Applicable to Non-Reimbursable Cost Centers	(468)
Allocation of Interest to Non-Reimbursable Cost Centers	<u>83</u>
Allowable Annual Return	113,657
Depreciation Expense	54,167
Amortization Expense	20
Capital Related Income Offsets	(4,842)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(285)</u>
Allowable Cost of Capital Expense	162,717
Total Patient Days (Actual)	<u>23,158</u>
Cost of Capital Per Diem	\$ <u>7.03</u>

**SENECA HEALTH AND REHABILITATION CENTER**

Cost of Capital Reimbursement Analysis

For the Cost Report Period Ended March 31, 2006

For the Contract Period October 1, 2006 Through September 30, 2007

AC# 3-MAS-C6

6/30/89 Cost of Capital and Return on Equity	
Capital Per Diem Reimbursement	\$ 7.04
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	<u><u>\$11.03</u></u>
Reimbursable Cost of Capital Per Diem	\$ 7.03
Cost of Capital Per Diem	<u>7.03</u>
Cost of Capital Per Diem Limitation	<u><u>\$ -</u></u>

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